

Message Text

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ACTION TRSE-00

INFO OCT-01 ARA-06 EUR-12 EA-07 ISO-00 EB-07 AID-05 CEA-01

CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 CIEP-01 SP-02

STR-04 LAB-04 SIL-01 SAM-01 OMB-01 L-03 SS-15 NSC-05

H-02 IO-10 /098 W

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R 150901Z OCT 75

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 4062

INFO AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY BONN

AMEMBASSY ROME

AMEMBASSY THE HAGUE

AMEMBASSY COPENHAGEN

AMEMBASSY STOCKHOLM

AMEMBASSY BRASILIA

AMEMBASSY JAKARTA

AMEMBASSY OTTAWA

AMEMBASSY CANBERRA

AMEMBASSY MADRID

USMISSION EC BRUSSELS

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E.O. 11652: N/A

TAGS: EAID, EFIN, JA

SUBJ: INTERNATIONAL FINANCE CORPORATION (IFC) CAPITAL RE-
PLENISHMENT

REF: STATE 242712

1. SUBJECT RAISED WITH MOF AS REQUESTED PARA. 18 REFTEL.
OFFICIAL SAID HE PERSONALLY FAVORED AN EXPANDED ROLE FOR
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IFC BUT WAS CRITICAL OF PROPOSED INTERNATIONAL INVESTMENT TRUST.

2. MOF (KAYA, DIR. OVERSEAS INVEST. DIV.) SAID THERE WAS NO OFFICIAL POSITION AS YET BUT HE PERSONALLY FAVORED EXPANDED ROLE FOR IFC. AT ONE POINT, SAID HE COULD SUPPORT INCREASING CAPITAL FOUR OR FIVE FOLD IF OTHER COUNTRIES WOULD JOIN INCREASED CAPITAL SUBSCRIPTION. NEVERTHELESS, KAYA CITED UNUSUAL LIST OF GOJ BUDGETARY PROBLEMS EVEN IF SUBSCRIPTION PHASED OVER SEVERAL YEARS AND FACT THAT GOJ STILL PROVIDING MAIN FINANCIAL SUPPORT FOR ADB. HE SAID PROPOSAL WOULD HAVE TO BE SPELLED OUT IN DETAIL BEFORE MOF COULD GIVE OFFICIAL RESPONSE; OTHERS IN MOG MIGHT BE LESS WELL DISPOSED TOWARD SUBJECT THAN HE.

3. KAYA GENERALLY COMPLAINED ABOUT PROLIFERATION OF INDIVIDUAL "AID-TO-LDC" SCHEMES (E.G. SIMON-KISSINGER, MCNAMARA, THIRD-WINDOW) WITHOUT MUCH CONCERN ABOUT HOW MUCH IT WOULD ALL COST. WHAT MANY LOST SIGHT OF WAS THAT COUNTRIES, INCLUDING JAPAN, HAD DIFFICULT FISCAL AND B/P PROBLEMS AT PRESENT. THERE ARE LIMITS TO SUCH AID AND DONORS MUST SET PRIORITIES FOR THEIR OWN CONTRIBUTIONS. KAYA EMPHASIZED THAT IN HIS IMF/IBRD SPEECH SEPT. 1, MIN. FIN. OHIRA HAD SPECIFICALLY MENTIONED BOJ SUPPORT FOR ADB, IDB, IBRD (WITHIN LIMITS) AND IDA IV REPLENISHMENT, AND THAT OMISSION OF IDB V WAS INTENTIONAL.

4. WITH RESPECT TO AN INTERNATIONAL INVESTMENT TRUST (PARA. 8, REFTEL) THE PROPOSAL WAS SO VAGUE AND ITS PURPOSE UNCLEAR THAT KAYA WAS CRITICAL OF IT. FINATT STRESSED DESIRE OF LINKING PRIVATE CAPITAL MARKET AND DEVELOPING WORLD AND SAID DETAILS WERE BEING DEVELOPED ON HOW SUCH TRUST COULD BE ESTABLISHED, OPERATE SUCCESSFULLY, AND MOBILIZE PRIVATE SOURCES OF FUNDS. FINATT SAID THAT IF MOG HAD STRONG VIEWS ON INVESTMENT TRUST THOSE MIGHT BE HELPFUL IN DEVELOPING SCHEME THAT IS SUCCESSFUL.

5. COMMENT: AS USUAL MOF SEEKS TO WARD OFF NEW DEMANDS FOR BUDGETARY AID FUNDS. HOWEVER, IFC SCHEMES HAVE MORE APPEAL SINCE THEY INVOLVE LESS OF A SUBSIDY ELEMENT (OVER WHICH GOJ PREFERS TO EXERCISE ITS OWN CONTROL AS IN LIMITED OFFICIAL USE

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LOW INTEREST EXPORT CREDITS).
SHOESMITH

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NNN

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